

NORTH DAVIS COUNTY SEWER DISTRICT

FINANCIAL REPORT

DECEMBER 31, 2001 AND 2000

NORTH DAVIS COUNTY SEWER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
North Davis County Sewer District
Syracuse, Utah

We have audited the accompanying basic financial statements of North Davis County Sewer District, as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of North Davis County Sewer District as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

During the year ended December 31, 2001, the District implemented GASB Statement No. 33 and GASB Statement No. 34, as discussed further in notes 11 and 12 to the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2002 on our consideration of North Davis County Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Wiggins & Co., P.C.

Ogden, Utah
April 18, 2002

Management's Discussion and Analysis

As management of the North Davis County Sewer District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2001. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the independent Auditor's report.

History and Background of District

The North Davis Metropolitan Sewer Association was formed in 1946 to acquire from the US government the North Davis Metropolitan Sewer which had been constructed in 1943 with federal funding. The Association was then organized under state statutes as a Special Service District in 1954 with authority to levy taxes, issue bonds, and construct a sewage collection and treatment system.

Today the District collects and treats wastewater from an area encompassing 80 square miles with a population of approximately 160,000. The District consists of member entities made up of the cities of Clearfield, Clinton, Layton, Roy, Sunset, Syracuse, West Point, a small area of Kaysville, Hill Air Force Base, and areas of unincorporated Davis and Weber Counties.

The District owns and operates approximately 100 miles of sewer collection lines, which convey and deliver wastewater to its treatment facility located near the shore of the Great Salt Lake in Syracuse City.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$65,838,530 (*total net assets*). Of this amount, \$24,731,938 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$6,688,719. Approximately one third of this increase is attributable to an increase in the impact fee from \$525 to \$1,500.
- At the end of the current fiscal year, unreserved fund balance was \$24,731,938, or 355 percent of total fund expenditures.
- The District's total debt decreased by \$2,067,733 (7 percent) during the current fiscal year. The key factor in this decrease was the payment of \$2,161,167 in general obligation bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: proprietary funds and fiduciary funds.

Proprietary funds. The District maintains one type of proprietary fund, an enterprise fund. The *Enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the District's budget's actual amounts and requirements of the sewer revenue bonds series 2000.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$65,838,530 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

North Davis County Sewer District's Net Assets

	2001	2000
<u>Current and other assets</u>	<u>\$ 35,851,267</u>	<u>\$31,861,602</u>
<u>Capital assets (net of accumulated depreciation)</u>	<u>58,694,756</u>	<u>57,488,574</u>
<u>Total assets</u>	<u>94,546,023</u>	<u>89,350,176</u>
<u>Long-term liabilities outstanding</u>	<u>27,331,884</u>	<u>29,351,729</u>
<u>Other liabilities</u>	<u>1,325,609</u>	<u>849,136</u>
<u>Total liabilities</u>	<u>28,707,493</u>	<u>30,200,365</u>
Net assets:		
<u>Invested in capital assets, net of related debt</u>	<u>34,799,825</u>	<u>33,564,487</u>
<u>Restricted</u>	<u>6,306,767</u>	<u>2,997,562</u>
<u>Unrestricted</u>	<u>24,731,938</u>	<u>22,587,762</u>
<u>Total net assets</u>	<u>\$65,838,530</u>	<u>\$59,149,811</u>

An additional portion of the District's net assets (4.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$24,731,938) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior year.

There was an increase of \$3,309,205 in restricted net assets reported in connection with the District's business-type activities. The majority of the increase resulted from the collection of impact fees to be expended on Capital projects.

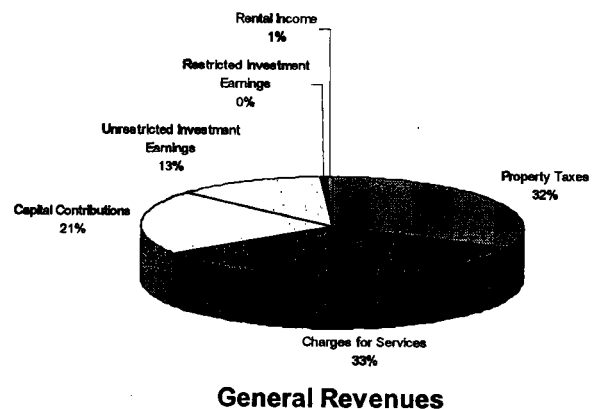
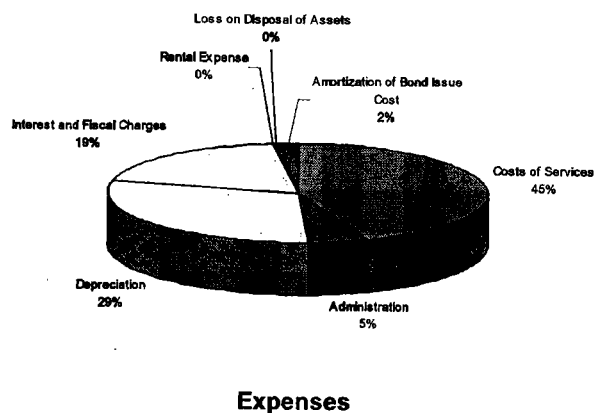
The District's net assets increased by \$6,668,719 during the current fiscal year. About one third of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. Approximately another third is attributable to a one-time infusion of resources from impact fees. The remainder of this growth largely reflects increases in population and investment earnings.

Governmental activities. Key elements of the growth of net assets are as follows:

North Davis County Sewer District's Changes in Net Assets

	2001	2000
Revenues:		
Program revenues:		
Charges for services	\$ 4,597,777	\$ 4,560,857
Capital contributions	2,812,073	1,510,160
General revenues:		
Property taxes	4,322,314	3,893,448
Unrestricted investment earnings	1,751,679	1,205,771
Restricted investment earnings	62,826	300
Rental income	86,412	64,530
(Loss) on disposal of assets	(9,689)	(4,981)
Total revenues	13,623,392	11,230,085
Expenses:		
General government	---	---
Sanitary Sewer	6,934,673	6,340,957
Total expenses	6,934,673	6,340,957
Increase in net assets	6,688,719	4,889,128
Net assets – Beginning	59,149,811	54,260,683
Net assets – Ending	\$65,838,530	\$59,149,811

- Property taxes increased by \$428,866 (11 percent) during the year. Most of this increase is the product of additional homes built within the District's boundaries and increased property values.
- Charges for services for business-type activities increased by about 0.8 percent. The very slight increase is attributable to an increase in number of connections, no increase in monthly user charge, any offset by industry.
- Capital contributions increased by \$1,301,913 or 86 percent. An increase in impact fee from \$525 to \$1500 in July 2000 accounted for the majority of this increase.
- Investment earnings increased by \$608,434 because of interest earned on unspent revenue bond funds and other District investments.



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Budgetary Highlights

Differences between the original budget and the actual for the year 2001 can be briefly summarized as follows:

- \$1,014,704 increase in total revenue
- \$598,343 decrease in total expenses
- \$1,613,047 increase in net income

The increase in revenue was a result of an increase in impact fees, interest income, and property taxes. The decrease in expenses was a result of less expense for repairs and maintenance, depreciation, and contractual services.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of December 31, 2001 amounts to \$58,694,756 (net of accumulated depreciation). This investment in capital assets includes land, easements, water rights, construction in progress, plant and sewer systems, automobiles and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 6 percent.

Major capital asset events during the current fiscal year included the following:

- Construction began on the West Outfall Relief Sewer Phase II.
- Construction began on an Emergency Chlorine Scrubber.

North Davis County Sewer District's Capital Assets (net of depreciation)

	2001	2000
<u>Land</u>	<u>\$5,933,006</u>	<u>\$5,933,006</u>
<u>Easements</u>	<u>990,441</u>	<u>823,851</u>
<u>Water Rights</u>	<u>194,900</u>	<u>194,900</u>
<u>Construction in Progress</u>	<u>5,313,242</u>	<u>3,385,670</u>
<u>Buildings</u>	<u>2,177,917</u>	<u>2,276,041</u>
<u>Plant and Sewer Systems</u>	<u>43,308,781</u>	<u>43,958,912</u>
<u>Automobiles and Equipment</u>	<u>776,469</u>	<u>916,194</u>
<u>Total</u>	<u>\$58,694,756</u>	<u>\$57,488,574</u>

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$24,767,637. Of this amount, \$15,031,344 comprises General Obligation debt backed by the full faith and credit of the government, and \$9,736,293 is revenue bond debt.

North Davis County Sewer District's Outstanding Debt
General Obligation and Revenue Bonds

	2001	2000
<u>General obligation bonds</u>	<u>\$18,335,000</u>	<u>\$20,533,000</u>
<u>Revenue bonds</u>	<u>9,995,000</u>	<u>9,995,000</u>
<u>Total</u>	<u>\$28,330,000</u>	<u>\$30,528,000</u>

The District maintains a "Aaa" rating from Moody's for both revenue and general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.4 percent of its total assessed valuation. The current debt limitation for the District is \$113,058,770, which is significantly in excess of the District's outstanding general obligation debt.

In December 2000, the District issued \$10,000,000 of revenue bonds to finance upgrades of the collection system and treatment plant. The District held a bond election on August 7, 2002 asking for \$48,500,000 of bond authorization. The election passed with over 80% of those who voted voting in favor of the bonding. In February 2002, the District issued \$20,000,000 of general obligation bonds to fund expansion of the treatment plant and collection system.

Additional information on the District's long-term debt can be found in the Auditor's Report.

Reserve Funds

The District held \$31,652,381 in reserves at the end of the current fiscal year. The reserve fund is maintained to provide liquid assets for funding repairs and reconstruction of District-owned infrastructure in the event of catastrophic events, which potentially could affect the District's ability to provide service to its residents.

Reserve and Fee Structure

The District's impact fee was raised from \$525 to \$1500 in July 2000. The monthly user charge (\$5.80) and tax rates (0.0007) have not been raised since 1994, and are expected to remain unchanged for the foreseeable future.

Planned Future Capital Improvements

The District has initiated an effort to expand its treatment plant facilities to provide capacity for the next 20 years. There are also ongoing projects to upgrade the collection system to provide capacity needed for growth in the area. An agreement has been signed with Montgomery Watson Harza engineers to design and build the expanded plant facilities. The expansion effort is projected for completion by 2006. The financial strategy selected by the District to fund the expansion of the treatment plant and collection system is a combination of general obligation

bonds, impact fee revenues, and pay as you go from other revenues. The strategy allows fees and taxes to remain at current levels for the foreseeable future.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Davis County Sewer District, ATTN: District Manager, P. O. Box 704, Layton, Utah 84041.

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NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2001 AND 2000

	Business Type Activities	
	2001	2000
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,884,377	\$ 2,999,531
Accounts Receivable (net of allowance of \$6,500 in 2001 and 2000)	334,809	332,013
Taxes Receivable	494,832	430,778
Interest Receivable - Investments	176,771	148,860
Other Assets	75,217	32,302
Restricted Assets:		
Temporarily Restricted		
Cash and Cash Equivalents	5,325,178	10,052,388
Investments	26,327,203	17,690,638
Delinquent Taxes Receivable	232,880	175,092
Capital Assets (net of accumulated depreciation):		
Land	5,933,006	5,933,006
Easements	990,441	823,851
Water Rights	194,900	194,900
Construction in Progress	5,313,242	3,385,670
Buildings	2,177,917	2,276,041
Plant and Sewer Systems	43,308,781	43,958,912
Automobiles and Equipment	776,469	916,194
Total Assets	<u>94,546,023</u>	<u>89,350,176</u>
<u>LIABILITIES</u>		
Accounts Payable	174,436	179,140
Wages and Payroll Taxes Payable	95,485	93,406
Interest Payable - Bonds	431,089	461,145
Construction Contracts Payable	674,599	115,445
Non-Current Liabilities		
Due Within One Year	2,171,122	2,063,533
Due in More Than One Year	25,160,762	27,287,696
Total Liabilities	<u>28,707,493</u>	<u>30,200,365</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	34,799,825	33,564,487
Restricted	6,306,767	2,997,562
Unrestricted	24,731,938	22,587,762
Total Net Assets	<u>\$ 65,838,530</u>	<u>\$ 59,149,811</u>

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2001

Functions/Programs	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Capital Contributions
Business-type activities:			
Sanitary sewer	\$ 6,934,673	\$4,597,777	\$2,812,073
Total Business-type activities	\$ 6,934,673	\$4,597,777	\$2,812,073
			\$ 475,177
			475,177
General Revenues:			
Property Taxes			4,322,314
Unrestricted Investment Earnings			1,751,679
Restricted Investment Earnings			62,826
Rental Income			86,412
(Loss) on Disposal of Assets			(9,689)
Total General Revenues			6,213,542
Change in Net Assets			6,688,719
Net assets - beginning			59,149,811
Net assets - ending			\$65,838,530

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2000

Functions/Programs	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
	Charges for Services	Capital Contributions	
Business-type activities:			Business-type Activity
Sanitary sewer	\$ 6,340,957	\$4,560,857	\$ (269,940)
Total Business-type activities	\$ 6,340,957	\$4,560,857	(269,940)
General Revenues:			
Property Taxes			3,893,448
Unrestricted Investment Earnings			1,205,771
Restricted Investment Earnings			300
Rental Income			64,530
(Loss) on Disposal of Assets			(4,981)
Total General Revenues			5,159,068
Change in Net Assets			4,889,128
Net assets - beginning			54,260,683
Net assets - ending			\$ 59,149,811

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2001 AND 2000

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,884,377	\$ 2,999,531
Accounts Receivable (net of allowance of \$6,500 in 2001 and 2000)	334,809	332,013
Taxes Receivable	494,832	430,778
Interest Receivable - Investments	176,771	148,860
Other Assets	75,217	32,302
Total Current Assets	<u>3,966,006</u>	<u>3,943,484</u>
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	5,325,178	10,052,388
Restricted Investments	26,327,203	17,690,638
Total Restricted Assets	<u>31,652,381</u>	<u>27,743,026</u>
Delinquent Taxes Receivable	<u>232,880</u>	<u>175,092</u>
Capital Assets		
Land	5,933,006	5,933,006
Easements	990,441	823,851
Water Rights	194,900	194,900
Construction in Progress	5,313,242	3,385,670
Buildings	2,779,196	2,779,196
Plant and Sewer Systems	59,244,052	58,198,921
Automobiles and Equipment	2,711,355	2,662,561
Less Accumulated Depreciation	<u>(18,471,436)</u>	<u>(16,489,531)</u>
Total Capital Assets (net of accumulated depreciation)	<u>58,694,756</u>	<u>57,488,574</u>
Total Noncurrent Assets	<u>90,580,017</u>	<u>85,406,692</u>
Total Assets	<u>\$ 94,546,023</u>	<u>\$ 89,350,176</u>

<u>LIABILITIES</u>	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 174,436	\$ 179,140
Wages and Payroll Taxes Payable	95,485	93,406
Interest Payable - Bonds	431,089	461,145
Compensated Absences	9,955	-
Bonds Payable	2,161,167	2,063,533
Total Current Liabilities	<u>2,872,132</u>	<u>2,797,224</u>
CONSTRUCTION CONTRACTS PAYABLE	<u>674,599</u>	<u>115,445</u>
NONCURRENT LIABILITIES		
Bonds Payable	24,767,637	26,928,804
Deferred Revenue	232,880	175,092
Compensated Absences Payable	160,245	183,800
Total Noncurrent Liabilities	<u>25,160,762</u>	<u>27,287,696</u>
Total Liabilities	<u>28,707,493</u>	<u>30,200,365</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	34,799,825	33,564,487
Restricted	6,306,767	2,997,562
Unrestricted	24,731,938	22,587,762
Total Net Assets	<u>\$ 65,838,530</u>	<u>\$ 59,149,811</u>

The Notes to Financial Statements are an integral part of these statements.

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NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Charges for Service	\$ 4,586,278	\$ 4,550,910
OPERATING EXPENSES		
Costs of Services	3,051,278	2,949,794
Administration	377,184	322,071
Depreciation	2,037,279	1,960,488
Total Operating Expenses	5,465,741	5,232,353
Operating Income (Loss)	(879,463)	(681,443)
NON-OPERATING REVENUES (EXPENSES)		
Interest Earned	1,814,505	1,206,071
Property Taxes	4,322,314	3,893,448
Rental Income	103,562	94,421
Miscellaneous	11,498	9,947
Interest and Fiscal Charges	(1,345,169)	(1,005,861)
Rental Expense	(17,150)	(29,891)
Loss on Disposal of Assets	(9,689)	(4,981)
Amortization of Bond Issue Cost	(123,762)	(102,743)
Total Non-Operating Income	4,756,109	4,060,411
Income before contributions	3,876,646	3,378,968
Capital Contributions - Impact Fees	2,812,073	1,510,160
Change in Net Assets	6,688,719	4,889,128
TOTAL NET ASSETS - BEGINNING	59,149,811	54,260,683
TOTAL NET ASSETS - ENDING	<u>\$ 65,838,530</u>	<u>\$ 59,149,811</u>

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>		<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 4,594,981		\$ 4,558,627
Rents Received	103,562		94,421
Payments to Suppliers	(882,036)		(1,544,976)
Payments to Employees	(2,032,029)		(1,932,169)
Net Cash Provided by Operating Activities	<u>1,784,478</u>		<u>1,175,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(20,624,906)		(11,037,300)
Sales of Investments	12,091,296		5,211,815
Interest Income	\$1,814,505	\$1,206,071	
Amortization of Original Issue Discount	(102,955)	(85,736)	
(Increases)/Decrease in Interest Receivable	<u>(27,911)</u>	<u>1,683,639</u>	<u>9,834</u>
Net Cash (Used) by Investing Activities	<u>(6,849,971)</u>		<u>1,130,169</u>
			<u>(4,695,316)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Assets	(3,253,150)		(4,637,607)
Proceeds from Issuance of Bonds	-		9,995,000
Principal Paid on Bonds Payable	(2,198,000)		(2,082,000)
Interest Expense	(1,345,169)	(1,005,861)	
Amortization of Interest Subsidies	49,493	50,642	
Amortization of Premium	(13,338)	(20,207)	
Amortization of Issuance Costs	(25,450)	-	
Increase/(Decrease) in Interest Payable	<u>(30,056)</u>	<u>(1,364,520)</u>	<u>44,985</u>
			<u>(930,441)</u>

	2001	2000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (Continued)		
Bond Issuance Costs	(31,534)	(262,748)
Property Tax Income	4,322,314	3,893,448
(Increase)/Decrease in Taxes Receivable	(64,054)	3,471,883
Contributed Capital (Impact Fees) from Customers	2,812,073	1,510,160
Net Cash Provided by Capital and Related Financing Activities	223,129	7,064,247
NET INCREASE/(DECREASE) IN CASH	(4,842,364)	3,544,834
CASH AT BEGINNING OF YEAR	13,051,919	9,507,085
CASH AT END OF YEAR	\$ 8,209,555	\$ 13,051,919

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating Income (Loss)	\$ (879,463)	\$ (681,443)
Adjustment to Reconcile Operating Income to Net cash provided by Operating Activities:		
Depreciation	2,037,279	1,960,488
Non-Operating Revenues & Expenses (Net)	97,910	74,477
(Increase)/Decrease in Accounts Receivable	(2,796)	(2,065)
(Increase)/Decrease in Other Receivable	-	(165)
(Increase)/Decrease in Other Assets	(11,381)	(1,377)
Increase/(Decrease) in Accounts Payable	(4,704)	2,349
Increase/(Decrease) in Construction Contracts Payable	559,154	(207,536)
Increase/(Decrease) in Wages & Payroll Taxes Payable	2,079	35,375
Increase/(Decrease) in Compensated Absences Payable	(13,600)	(4,200)
Net Cash Provided by Operating Activities	\$ 1,784,478	\$ 1,175,903

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2001

ASSETS

Cash and Cash Equivalents

Total Assets

\$ 150

LIABILITIES

Accounts Payable

-

NET ASSETS

Held in Trust for Employees Cafeteria Plan

\$ 150

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

ADDITIONS

Contributions	
Employer	\$ 279,053
Employees	150
Total Additions	<u>279,203</u>

DEDUCTIONS

Benefits	<u>279,053</u>
Total Deductions	<u>279,053</u>
Change in Net Assets	150
Net Assets - Beginning	-
Net Assets - Ending	<u>\$ 150</u>

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North Davis County Sewer District, (District), was organized under Utah statutes in 1954 by action of the County Commissioners of Davis and Weber Counties. The action established a legal entity that had power to levy taxes, issue bonds, and construct and operate a sewage collection and treatment system for the benefit of the citizens in the District. The District is reported as an enterprise fund.

North Davis County Sewer District is managed by a nine-member Board of Trustees. One trustee is appointed from each of the following participating cities: Clearfield, Clinton, Layton, Roy, Sunset, Syracuse, and West Point. An additional trustee is elected at large from each of the unincorporated areas of Davis and Weber Counties.

The total area of the District, approximately 82 square miles, covers the northern portion of Davis County and a portion of southern Weber County.

The District's main sources of funding are as follows:

1. Service revenue from participating municipalities
2. Property taxes from Davis and Weber Counties
3. Interest income
4. Pretreatment fees from industrial customers
5. Impact fees from new customers
6. Service revenue from Hill Air Force Base

No other entities are considered to be components of the District.

B. Government-wide and fund financial statements

The government wide-financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are directly identifiable with a specific function or segment. Program revenues include 1) charges to consumers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

In addition to the proprietary fund, the District reports a fiduciary fund type, which accounts for the funds deposited in the District's IRS section 125 cafeteria plan. These funds are used by employees of the District for qualified expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected to follow subsequent private-sector guidance, except for those that conflict with GASB pronouncements.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating contributions, and 3) capital contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services provided by the District. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets

A. Cash and Cash Equivalents

The District defines cash and cash equivalents as all deposits in its checking, savings, money market accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less.

B. Investments

Investments in securities are classified as held to maturity and are stated at fair value or amortized cost, which approximates fair value.

C. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick-pay is accrued when incurred in the financial statements.

D. Capital Assets

Capital assets are recorded at cost, or in the case of donated assets, at fair value. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense on the District's operating statements. Accumulated depreciation is reported on the District's balance sheets. Depreciation has been provided over the estimated useful lives of assets using the straight line method. The estimated useful lives of all depreciable fixed assets are as follows:

	<u>Years</u>
Furniture & Fixtures	3 - 10
Vehicles	3 - 10
Equipment	5 - 20
Buildings	20-50
Sewer Collection Systems	40-50
Treatment Plant	10-50

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities, and net assets (Continued)

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

F. Reclassifications

Certain amounts presented in the year 2000 data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District follows these procedures in establishing its budget:

1. On or before the first regularly scheduled meeting of the Board of Trustees in November of each year, the District Manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them.
2. The Board of Trustees reviews and tentatively adopts the budget submitted.
3. Public hearings are conducted to obtain taxpayer and rate payer comments. The Board of Trustees makes any necessary and proper adjustments to the budget.
4. Prior to the beginning of the fiscal year, the budget is enacted by adoption of a resolution by the Board of Trustees.
5. The budget may be amended any time during the year. A public hearing must be held before amending the budget. The amended budget is enacted by a resolution by the Board of Trustees. The 2001 and 2000 budgets were amended during the respective years.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 3. CASH AND INVESTMENTS

Cash - At December 31, 2001 the carrying amount of the District's deposits at banks was \$513,174 and the bank balance was \$549,011. Of the bank balance, \$156,193 was covered by federal depository insurance and \$392,818 was uninsured. At December 31, 2000 the carrying amount of the District's deposits was \$327,643 and the bank balance was \$327,643. Of the bank balance, \$123,754 was covered by federal depository insurance and \$203,889 was uninsured. Deposits are not collateralized nor are they required to be by state statute.

Investments - The District follows the requirements of the Utah Money Management Act (Act) as outlined in Utah Code Annotated 1953, Section 51, Chapter 7. The Act requires the deposit of District funds in "qualified depositories." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and that has been certified by the commissioner of financial institutions as having met the requirements of the Act and rules of the Utah Money Management Council.

The Act defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Examples of authorized investments include obligations of the United States Treasury, certain obligations of other federal agencies, certain fixed rate corporate obligations rated "A" or higher, etc. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District's investments are categorized below to give an indication of the risk assumed by the District at December 31, 2001 and 2000. Category 1 includes investments that are insured or registered or are held by the District or its agent, in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

2001	Category			Reported Amount/ Fair Value
	1	2	3	
Medium Term Notes	-	-	\$ 13,451,437	\$ 13,451,437
Long Term Notes	-	-	802,984	802,984
Overnight Repurchase Agreements	-	-	728,779	728,779
Treasury Strip	-	-	3,586,370	3,586,370
Certificates of Deposit	12,445,685	-	-	12,445,685
	<u>\$12,445,685</u>	<u>\$ -</u>	<u>\$ 18,569,570</u>	

Investment in Public Treasurer's Investment Fund (PTIF)	3,007,829
Total Investments	34,023,084
Cash	513,674
Total Cash and Investments	<u>\$ 34,536,758</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 3. CASH AND INVESTMENTS (Continued)

2000	1	Category 2	3	Reported Amount/ Fair Value
Medium Term Notes	\$ -	\$ -	\$ 9,347,937	\$ 9,347,937
Overnight Repurchase Agreements	-	-	833,007	833,007
Treasury Strip	-	-	882,582	882,582
Certificates of Deposit	7,460,119	-	-	7,460,119
	<u>\$ 7,460,119</u>	<u>\$ -</u>	<u>\$ 11,063,526</u>	
Investment in Public Treasurer's Investment Fund (PTIF)				<u>11,891,269</u>
Total Investments				<u>30,414,914</u>
Cash				<u>327,643</u>
Total Cash and Investments				<u>\$ 30,742,557</u>
As reported on balance sheets:			2001	2000
Current Assets				
Cash and Cash Equivalents			\$ 2,884,377	\$ 2,999,531
Restricted Assets				
Cash and Cash Equivalents			5,325,178	10,052,388
Investments			26,327,203	17,690,638
			<u>\$ 34,536,758</u>	<u>\$ 30,742,557</u>

Of the December 31, 2001 Certificates of Deposit balance, \$400,000 was covered by FDIC insurance and \$12,045,685 was uninsured. Of the December 31, 2000 Certificate of Deposit balance, \$300,000 was covered by FDIC insurance and \$7,160,119 was uninsured. Deposits are not collateralized nor are they required to be by state statute.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

The District has reclassified amounts invested in the UPTIF as cash and cash equivalents.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 4. IMPACT FEE REVENUE

The District has assessed an impact fee of \$1,500 since July 1, 2000; prior to that it was \$525 per residential equivalent for new connections to the sewer system. Since July 1, 1996, the District has accrued interest as restricted net assets on all impact fees that have not been spent on capital expenditures as required by the Impact Fees Act.

The State of Utah Impact Fee Act, effective July 1, 1998, requires that, at the end of each fiscal year, a report be prepared showing impact fees earned and expended. The information, contained in that report, for the years ended December 31 is as follows:

	2001	2000
Impact Fees	\$ 2,812,073	\$ 1,510,160
Interest Earned	62,826	300
Qualifying Capital Expenditures	-	-
Net Change in Account	2,874,899	1,510,460
Funds to be (Reimbursed)/Expended at Beginning of Year	72,518	(1,437,942)
Funds to be Expended at End of Year	<u>\$ 2,947,417</u>	<u>\$ 72,518</u>

NOTE 5. BOARD DESIGNATED ASSETS

The Board of Trustees has designated investments for payment of future capital expenditures. The Board also designated future net cash flows to fund future capital expenditures. Net cash flows are defined as net income increased or decreased for non-cash transactions, less bond principle payments. Bond proceeds and impact fees are restricted for capital expenditures. Capital expenditures are deductions from designated assets. Included in board designated assets are the impact fees received which are restricted by legislation for capital projects.

Restricted assets are as follows for the years ended December 31:

	2001	2000
Balance, January 1	\$ 27,743,026	\$ 17,541,311
<u>Additions</u>		
Proceeds from Bonds	-	9,995,000
Impact Fees Received	2,812,073	1,510,160
Net Cash Flows	4,350,432	3,329,663
Total Additions	7,162,505	14,834,823
<u>Deductions</u>		
Capital Expenditures	(3,253,150)	(4,633,108)
Total Deductions	(3,253,150)	(4,633,108)
Balance, December 31	<u>\$ 31,652,381</u>	<u>\$ 27,743,026</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2001 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 5,933,006	\$ -	\$ -	\$ 5,933,006
Easements	823,851	166,590	-	990,441
Water Rights	194,900	-	-	194,900
Construction in Progress	3,385,670	2,972,703	(1,045,131)	5,313,242
Total Capital Assets, not being depreciated	<u>10,337,427</u>	<u>3,139,293</u>	<u>(1,045,131)</u>	<u>12,431,589</u>
Capital Assets, being depreciated				
Buildings	2,779,196	-	-	2,779,196
Plant and Sewer Systems	58,198,921	1,045,131	-	59,244,052
Automobiles and Equipment	2,662,561	113,857	(65,063)	2,711,355
Total Capital Assets, being depreciated	<u>63,640,678</u>	<u>1,158,988</u>	<u>(65,063)</u>	<u>64,734,603</u>
Less Accumulated Depreciation				
Buildings	503,155	98,124	-	601,279
Plant and Sewer Systems	14,240,009	1,695,262	-	15,935,271
Automobiles and Equipment	1,746,367	243,893	(55,374)	1,934,886
Total Accumulated Depreciation	<u>16,489,531</u>	<u>2,037,279</u>	<u>(55,374)</u>	<u>18,471,436</u>
Net Depreciable Assets	<u>47,151,147</u>	<u>(878,291)</u>	<u>(9,689)</u>	<u>46,263,167</u>
Capital Assets, net	<u>\$57,488,574</u>	<u>\$ 2,261,002</u>	<u>\$ (1,054,820)</u>	<u>\$ 58,694,756</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 6. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2000 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 5,735,256	\$ 197,750	\$ -	\$ 5,933,006
Easements	655,024	168,827	-	823,851
Water Rights	194,900	-	-	194,900
Construction in Progress	6,430,458	4,045,841	(7,090,629)	3,385,670
Total Capital Assets, not being depreciated	13,015,638	4,412,418	(7,090,629)	10,337,427
Capital Assets, being depreciated				
Buildings	2,779,196	-	-	2,779,196
Plant and Sewer Systems	51,108,292	7,090,629	-	58,198,921
Automobiles and Equipment	2,477,887	220,689	(36,015)	2,662,561
Total Capital Assets, being depreciated	56,365,375	7,311,318	(36,015)	63,640,678
Less Accumulated Depreciation				
Buildings	405,573	97,582	-	503,155
Plant and Sewer Systems	12,613,837	1,626,172	-	14,240,009
Automobiles and Equipment	1,545,167	236,734	(35,534)	1,746,367
Total Accumulated Depreciation	14,564,577	1,960,488	(35,534)	16,489,531
Net Depreciable Assets	41,800,798	5,350,830	(481)	47,151,147
Capital Assets, net	\$54,816,436	\$ 9,763,248	\$ (7,091,110)	\$ 57,488,574

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 7. LONG-TERM DEBT

Long-term liabilities for the year ended December 31, 2001 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 20,533,000	\$ -	\$ (2,198,000)	\$ 18,335,000	\$ 2,314,000
Revenue Bonds	9,995,000	-	-	9,995,000	-
Unamortized Issuance					
Costs	(1,098,052)	-	98,312	(999,740)	(112,800)
Unamortized Interest					
Subsidy Discount	(461,782)	-	49,493	(412,289)	(48,009)
Unamortized Bond					
Premium	24,171	-	(13,338)	10,833	7,976
Total Bonds Payable, net	28,992,337	-	(2,063,533)	26,928,804	2,161,167
Other Liabilities					
Compensated Absences	183,800	-	(13,600)	170,200	9,955
Deferred Revenue	175,092	57,788	-	232,880	-
Total Long-term Debt	<u>\$ 29,351,229</u>	<u>\$ 57,788</u>	<u>\$ (2,077,133)</u>	<u>\$ 27,331,884</u>	<u>\$ 2,171,122</u>

Long-term liabilities for the year ended December 31, 2000 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 22,615,000	\$ -	\$ (2,198,000)	\$ 20,533,000	\$ 2,198,000
Revenue Bonds	-	9,999,500	-	9,995,000	-
Unamortized Issuance					
Costs	(936,542)	(262,749)	101,239	(1,098,052)	(98,312)
Unamortized Interest					
Subsidy Discount	(512,424)	-	50,642	(461,782)	(49,493)
Unamortized Bond					
Premium	44,377	-	(20,206)	24,171	13,338
Total Bonds Payable, net	21,210,411	9,736,751	(2,066,325)	28,992,337	2,063,533
Other Liabilities					
Compensated Absences	188,000	-	(4,200)	183,800	-
Deferred Revenue	189,452	-	(14,360)	175,092	-
Total Long-term Debt	<u>\$ 21,587,863</u>	<u>\$ 9,736,751</u>	<u>\$ (2,084,885)</u>	<u>\$ 29,351,229</u>	<u>\$ 2,063,533</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

General Obligation Bonds payable at December 31 are comprised of the following individual issues:

	<u>2001</u>	<u>2000</u>
\$9,990,000 G.O. Sewer Refunding Bonds, Series 1992, refunding \$2,895,000 of the \$4,000,000 1986A bonds, and \$7,640,000 of the \$10,410,000 1986C Bonds; maturing March 1, 2003; interest at 4.10% - 5.4%.	\$ 2,075,000	\$ 3,465,000
\$4,000,000 Taxable G.O. Sewer Bonds, Series 1994A - Utah State Division of Water Quality Loan, maturing February 1, 2015; hardship grant assessment rate of 3.5%.	3,075,000	3,243,000
\$15,000,000 G.O. Sewer Bonds, Series 1995, maturing March 1, 2006; interest at 5.00% - 6.75%.	3,370,000	3,945,000
\$9,995,000 G.O. Sewer Refunding Bonds, Series 1998, refunding \$9,090,000 of the \$15,000,000 1995 G.O. Sewer Bonds, maturing December 15, 2015; at 3.45% - 4.25%.	<u>9,815,000</u>	<u>9,880,000</u>
Total General Obligation Debt	18,335,000	20,533,000
Unamortized bond issue costs on the 1992, 1994A, 1995, and 1998 bonds.	(741,033)	(835,303)
Unamortized interest subsidy discount on the 1994-A bonds. Effective interest rate is 6.0%.	(412,289)	(461,782)
Unamortized bond premium on 1995 bonds.	<u>10,833</u>	<u>24,171</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 7. LONG-TERM DEBT (Continued)

	2001	2000
Total General Obligation Debt Net of Unamortized bond issue costs, Unamortized interest subsidy discount Unamortized Discount/Premium	\$ 17,192,511	\$ 19,260,086
Less Current Portion	(2,185,420)	(2,063,533)
Long-term General Obligation Bonds Payable	<u>\$ 15,007,091</u>	<u>\$ 17,196,553</u>

Sewer Revenue Bonds payable at December 31 are comprised of the following individual issues:

	2001	2000
\$9,995,000 Sewer Revenue Bonds, Series 2000, maturing September 1, 2020; interest at 4.60% - 5.45%	\$ 9,995,000	\$ 9,995,000
Total Sewer Revenue Bonds Debt	9,995,000	9,995,000
Unamortized bond issue costs on the 2000 Sewer Revenue Bonds	(258,707)	(262,749)
Less Current Portion	24,253	-
Long-term Sewer Revenue Bonds Payable	<u>\$ 9,760,546</u>	<u>\$ 9,732,251</u>

Annual Debt Service Requirements

The annual debt service requirements including principal and interest payments to maturity are as follows:

Year	General Obligation Bonds	Revenue Bonds	Total
2002	\$ 3,071,626	\$ 511,638	\$ 3,583,264
2003	2,167,734	511,638	2,679,372
2004	1,536,368	511,638	2,048,006
2005	1,537,651	921,978	2,459,628
2006	1,482,919	922,077	2,404,996
Thereafter	13,900,172	12,925,224	26,825,396
Total	<u>\$23,696,470</u>	<u>\$ 16,304,191</u>	<u>\$ 40,000,661</u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 7. LONG-TERM DEBT (Continued)

The District's General Obligation bonds series 1998 require the use of a sinking fund to redeem the Bonds maturing on March 1, 2013 and March 1, 2015. The amounts and due dates of the sinking fund installments for the Bonds maturing on March 1, 2013, are set forth in the following table:

<u>March 1 of the year</u>	<u>Amount</u>
2011	\$ 1,050,000
2012	1,095,000
2013	1,140,000

The amounts and due dates of the sinking fund installments for the Bonds maturing on March 1, 2013, are set forth in the following table:

<u>March 1 of the year</u>	<u>Amount</u>
2014	\$ 1,195,000
2015	1,240,000

The District's Sewer Revenue bonds Series 2000 required the use of a sinking fund to redeem the Bonds maturing on March 1, 2020. The amounts and due dates of the sinking fund installments for the Bonds maturing on March 1, 2020, are set forth in the following table:

<u>March 1 of the year</u>	<u>Amount</u>
2019	\$ 850,000
2020	900,000

Pledge of the 2000 Bond Resolutions - The Bond Resolutions provide that the Bonds shall be special obligations of the District payable solely from and secured by: i) the proceeds of sale of the Bonds; ii) all revenues, connection fees, income, rents, and receipts attributed to the water supply and distribution system (the System), except taxes levied to provide for operation and maintenance costs, and income from investments of any monies held pursuant to the Resolutions, except monies held in the Construction Fund; and iii) all funds, other than the Operation and Maintenance Fund, established by the Resolutions. The Resolutions do not require the District to pledge any property constituting part of the System.

Payments of the principal and interest on the Series 2000 Revenue Bonds are insured by municipal bond insurance policies issued by AMBAC Indemnity Corporation.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 7. LONG-TERM DEBT (Continued)

Funds Required by the Bond Resolutions - The Resolutions require that certain "funds" be established to account for the District's receipts and disbursements. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the Resolutions as described below. Funds held by the trustee have been restricted and corresponding amounts of net assets have been restricted also.

Revenue Fund (held by the District) - This fund initially receives revenues and disburses them to the Operations and Maintenance Fund and then to the debt service account. Any remaining revenues may be applied at the determination of the District to: (1) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds, (2) payments of principal or redemption price of an interest on any Bonds, including general obligation or junior lien revenue bonds of the District, issued to acquire improvements or extensions to the System; (3) payments into the Construction Fund; (4) payment of the cost of capital improvements to the System and (5) any other lawful purpose of the issuer. At December 31, 2001 and 2000, the balance of cash and investments in the fund was \$609,705 and \$361,296, respectively.

Operation and Maintenance Fund (held by the District) - This fund pays all costs of operation and maintenance as appropriated in the annual District budget. The District is required to have on deposit sufficient funds to efficiently operate and maintain the District's system for six calendar months. At December 31, 2001 and 2000, the balance of cash and investments in the fund was \$2,433,989 and \$1,942,944, respectively.

Bond Fund (held by the trustee) - This fund pays all interest and principal related to the Bonds. On the fifth business day preceding each maturity date of the Bonds or interest payment date, the District is required to deposit in this fund an amount equal to the accrued aggregate debt service of the next principal and interest installment due. At December 31, 2001 and 2000, the fair value of cash and investments in these funds consisted of \$925,361 and \$982,100, respectively, in the 2000 bond fund.

Construction Fund (held by the trustee) - This fund holds and disburses bond proceeds for the acquisition costs of construction projects in accordance with the Series 2000 Bond Resolution. At December 31, 2001 and 2000, the balance of cash and investments in this fund was \$3,033,873 and \$5,068,250, respectively.

Defeasance of Debt

During 1998, the District placed \$9,090,000 of the proceeds of the \$9,995,000 G.O. Sewer Refunding Bonds, Series 1998 with an escrow agent to advance refund \$9,090,000 of the \$15,000,000 G.O. Sewer Bonds, Series 1995 Bonds. The issuance of the Series 1998 bonds permitted the District to take advantage of declines in interest rates by exchanging the higher-cost 1995 bonds for the lower-cost Series 1998 bonds.

Because the \$9,090,000 was placed in trust and restricted solely for payment of the principal and interest of the 1995 bonds, the liability was considered extinguished, or defeased, for accounting purposes and was not required to be reported on the District's balance sheet.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 7. LONG-TERM DEBT (Continued)

The amount of defeased debt still out standing as of December 31, 2001 and 2000 is \$9,090,000. The cash flow required to service the new series 1998 bonds is \$493,237 less than the defeased series 1995 bonds. The economic gain, which is the difference between the present value of the series 1995 bonds service requirements and the present value of the series 1998 bonds service requirements discounted at the effective interest rate on the new debt (4.272%), is \$397,703.

Interest Expense

Interest expense for the years ended December 31, 2001 and 2000 is \$1,345,169 and \$1,005,861, respectively. No interest has been capitalized during these years.

NOTE 8. PROPERTY TAXES

Property taxes are recognized when they are measurable and available. Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on June 15 and are due on November 30 of each year. As of December 31, property taxes receivable by the District include uncollected taxes assessed as of January 1, or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion. District property tax revenues are recognized when levied in an amount estimated to be collectible during the year and within 60 days after the end of the year. Delinquent property taxes are recognized as a non-current asset and deferred until they are received by the District.

The District is permitted by the State to cause to be levied, taxes on all taxable property in the district for the carrying out of the purposes for which the District was created. The taxes so levied for the District cannot in any year exceed .0008000 of the valuation of the taxable property in the district. However, the District can levy an unlimited property tax to pay for principal and interest on general obligation bonds.

The tax rate was .000763 for 2001 and 2000, respectively, in both Davis and Weber Counties. Of the 2001 rate, .000328 was assessed for payment of debt service. Of the 2000 rate, .000318 was assessed for payment of debt service.

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. This uniform fee was 1.5% of the market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicle weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes the age-based fee as revenue when the County collects it.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 9. PENSION PLAN

Plan Description The District contributes to the Local Governmental Contributory Retirement System and the Local Governmental Non-contributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement system and Local Governmental Noncontributory Retirement system. A copy of the report may be obtained by writing to the URS, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy Plan members are required to contribute a percent of their covered salary to the respective systems to which they belong (the District pays the required contributions for the employees); which is 6.00% to the Contributory. The District is required to contribute a percent of covered salary to the respective systems, 6.31% for 2001, and 6.73% for 2000 and 1999 to the Contributory, and 10.32% for 2001 and 10.74% for 2000 and 1999 to the Noncontributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the various systems for the years ending December 31, 2001, 2000, and 1999 respectively were; for the Contributory System, \$12,391, \$13,542, and \$13,529, and; for the Noncontributory System, \$117,675, \$134,045, and 131,640. The contributions were equal to the required contributions for each year.

Other. The District also provides a flexible compensation plan for eligible employees under the terms of a plan adopted August 15, 1986. This plan provides participants with the choice, within an amount of "flex dollars" determined and provided by both the employer and employee, of different combinations of nontaxable and taxable employee benefits or cash. The possible benefits provided under the plan include:

- a. 401(k) deferred compensation
- b. Medical coverage
- c. Dental coverage
- d. Vision coverage
- e. Employee life insurance
- f. 401(a) alternate retirement account
- g. 457 deferred compensation plan

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 9. PENSION PLAN (Continued)

Employees of the District who have elected to participate in the plan have funded the benefits by a reduction in compensation.

The District contributes a percentage of all employees' eligible salary to a 401(k) deferred compensation plan. The District contributed 1.43% for employees participating in the Contributory State Retirement program and 3.42%, for employees participating in the Non-contributory State Retirement Program. In 2001 and 2000, these contributions amounted to \$52,611 and \$47,268, respectively. Contributions to the 401(k) plan made by employees in 2001 and 2000 are \$17,486 and \$59,504, respectively.

The District contributes to a 401(k) plan for employees who are not covered by the districts group health insurance. The amounts contributed by the District for the years ending December 31, 2001 and 2000 are \$0 and \$2,736, respectively. No contributions were made by employees to this plan in 2001 or 2000.

NOTE 10. SUBSEQUENT EVENTS

On February 28, 2002, the District sold \$20,000,000 of general obligation bonds to finance an upgrade of the plant facilities and collection system. The interest rate on the bonds range from 3.50 - 5.375 percent and the maturity date is March 1, 2022.

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2001, the District implemented GASB Statement No. 33, which requires that capital contributions (impact fees) be recognized in the determination of net income, rather than as a direct addition to an equity account called Contributed Capital - Impact Fees. The District also implemented GASB Statement No. 34 during the year ended December 31, 2001, which modifies accounting and financial reporting standards for basic financial reporting. The effect of applying this statement upon the beginning net assets of the District was \$12,066,562 as documented in note 12. Financial data presented for the year ended December 31, 2000 has been restated to conform to the year 2001 presentation. The cumulative effect of this change has been reflected as a restatement of beginning net assets as of January 1, 2000.

NOTE 12. RESTATEMENT OF BEGINNING ASSETS

The accompanying financial statements reflect an adjustment that resulted in a restatement of net assets due to the implementation of GASB Statement No. 34.

Retained earnings at January 1, 2000, <i>as previously reported</i>	\$ 42,194,121
Cumulative effect of GASB Statement No. 34	<u>12,066,562</u>
Net assets ad January 1, 2000, <i>as restated</i>	<u><u>\$ 54,260,683</u></u>

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 13. NET ASSETS

Net assets at December 31, 2001 and 2000 consisted of the following:

	2001	2000
Invested in Capital Assets, net of related debt:		
Property, plant and equipment, net Less:	\$ 58,694,756	\$ 57,488,574
Outstanding debt issued to construct capital assets	(26,928,804)	(28,992,337)
Add back the unspent portion of bond proceeds	3,033,873	5,068,250
Total invested in capital assets, net of related debt	<u>34,799,825</u>	<u>33,564,487</u>
Restricted net assets:		
Restricted by enabling legislation for capital projects	2,947,417	72,518
Restricted for the operation and maintenance of the District	2,433,989	1,942,944
Restricted for debt service	925,361	982,100
Total restricted net assets	<u>6,306,767</u>	<u>2,997,562</u>
Unrestricted net assets	<u>24,731,938</u>	<u>22,587,762</u>
Total Net Assets	<u>\$ 65,838,530</u>	<u>\$ 59,149,811</u>

NOTE 14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 15. COMMITMENTS

The District is committed to a long-range effort to increase the present collection system and treatment plant capacity. The District's current Master Facility Plan is budgeted at approximately \$97 million, to be expended over the next 10 years.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE 15. COMMITMENTS (Continued)

The following construction projects are currently under construction or are budgeted to begin during 2002:

	<u>Cumulative Expenditures</u>	<u>Remaining Commitments</u>
Plant Additions and Improvements		
Predesign Studies	\$ 173,620	\$ 178,000
Chlorine Scrubber	733,305	1,866,000
Sludge Dewatering/Belt Press Building	-	5,164,000
Headworks Improvement	-	2,381,000
Solids Contact Basins	-	250,000
Blower Building	-	250,000
Final Clarifiers	-	250,000
RAS/WAS Pump Station	-	150,000
Collection System Additions and Improvements		
North Relief Sewer Phase 3A	467,618	20,000
South Relief Sewer Phase 4	22,226	6,761,000
2700 West Relief Sewer	1,042,129	35,000
West Outfall Replacement Phase 1	2,141,925	25,000
West Outfall Replacement Phase 2	894,895	3,000,000
West Outfall Replacement Phase 3	4,007	3,000,000

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
North Davis County Sewer District
Syracuse, Utah

Our report on our audit of the basic financial statements of North Davis County Sewer District for 2001 appears on Pages 2 and 3. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement and schedules on page 42 through 46 are presented for the purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wiggins & Co, P.C.

Ogden, Utah
April 18, 2002

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
PROPRIETARY FUND
FOR THE YEAR ENDING DECEMBER 31, 2001

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$ 4,692,290	\$ 4,634,679	\$ 4,586,278	\$ (48,401)
Interest Income	1,550,000	1,550,000	1,814,505	264,505
Property Taxes	4,053,348	4,053,348	4,322,314	268,966
Impact Fees	2,302,500	2,302,500	2,812,073	509,573
Rental Income	85,000	85,000	103,562	18,562
Other Revenue	10,000	10,000	11,498	1,498
Total Revenue	<u>12,693,138</u>	<u>12,635,527</u>	<u>13,650,230</u>	<u>1,014,703</u>
Expenditures:				
Personnel Services	2,109,489	2,109,489	2,043,550	65,939
Training and Conferences	102,475	102,475	67,416	35,059
Contractual Services	130,000	168,000	80,999	87,001
Supplies and Materials	272,135	272,135	211,999	60,136
Repairs and Maintenance	705,270	705,270	569,140	136,130
Professional Services	234,600	284,600	237,784	46,816
Plant Insurance	50,000	50,000	38,922	11,078
Utilities Expense	195,000	195,000	161,562	33,438
Miscellaneous	26,550	26,550	17,199	9,351
Depreciation	2,162,802	2,162,802	2,037,279	125,523
Debt Service and Amortization	1,464,923	1,464,923	1,468,823	(3,900)
Rental Expense	18,000	18,000	17,150	850
Loss on Disposal of Assets	-	-	9,689	(9,689)
Total Expenses:	<u>7,471,244</u>	<u>7,559,244</u>	<u>6,961,512</u>	<u>597,732</u>
Net Income	<u>\$ 5,221,894</u>	<u>\$ 5,076,283</u>	<u>\$ 6,688,718</u>	<u>\$ 1,612,435</u>

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
SCHEDULE OF REQUIREMENTS OF THE SEWER REVENUE BONDS SERIES 2000
FOR THE YEAR ENDED DECEMBER 31, 2001

1. A Schedule of Insurance Policies in Force at December 31, 2001 is at page 44.
2. "Net Revenues" for fiscal year 2001 exceeds 1.0 times the "Aggregate Debt Service" for 2001 and "Net Revenues" and amounts maintained in the Revenue Fund for debt Service for 2002 exceed 1.15 times the "Aggregate Debt Service" for 2002, as those terms are defined in the Resolution. The District met the minimum requirements as described on page 46.
3. An analysis of all funds established by the Resolution is at page 45.

The Notes to Financial Statements are an integral part of theses statements.

NORTH DAVIS COUNTY SEWER DISTRICT
SCHEDULE OF INSURANCE POLICIES IN FORCE
DECEMBER 31, 2001

COVERAGE:	Limits of Coverage
Commercial General Liability: St. Paul Insurance Company (expires August 15, 2002)	\$2,000,000 aggregate limit with \$1,000 deductible
Combined Property Coverage: St. Paul Insurance Company (expires August 15, 2002)	\$15,442,824 with \$1,000 deductible
Business Auto Coverage: St. Paul Insurance Company (expires August 15, 2002)	\$1,000,000 limit per accident with \$1,000 deductible
Public Officials and Employees Liability: St. Paul Insurance Company (expires August 15, 2002)	\$500,000 limit with \$1,000 deductible
Workers Compensation Insurance: St. Paul Insurance Company (expires August 15, 2002)	\$100,000 each accident \$500,000 policy limit \$100,000 each employee
Equipment Coverage: St. Paul Insurance Company (expires August 15, 2002)	\$259,801 aggregate limit 90% coinsurance
Umbrella Coverage: St. Paul Insurance Company (expires August 15, 2002)	\$4,000,000 each occurrence \$1,000 deductible

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE
SEWER REVENUE BONDS SERIES 2000 (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2001

	Operations & Maintenance Fund	Revenue Fund	Construction Fund	Bond Fund
Balance, December 31, 2000	\$ 1,942,944	\$ 361,296	\$ 5,068,250	\$ 982,100
Bond Proceeds	-	-	-	-
Revenue	4,322,314	6,267,435	206,582	41,827
Expenditures on Projects	-	-	(2,240,959)	(511,638)
Operations & Maintenance Expenditures	(3,831,269)	-	-	-
Transfers	-	(6,019,026)	-	413,072
Balance at December 31, 2001	<u>\$ 2,433,989</u>	<u>\$ 609,705</u>	<u>\$ 3,033,873</u>	<u>\$ 925,361</u>
Cash	\$ 2,274,672	\$ 609,705	\$ -	\$ -
Investments	159,317	-	-	-
Restricted Cash	-	-	3,033,873	925,361
Total Cash & Investments	<u>\$ 2,433,989</u>	<u>\$ 609,705</u>	<u>\$ 3,033,873</u>	<u>\$ 925,361</u>

The Notes to Financial Statements are an integral part of these statements.

NORTH DAVIS COUNTY SEWER DISTRICT
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2001

NET REVENUES AS DEFINED BY BOND COVENANTS:	
Total Operating Revenues	\$4,586,278
Non-Operating Revenues	<u>4,393,795</u>
	8,980,073
Less - operating expenses (excluding depreciation)	<u>3,428,462</u>
NET REVENUES	<u><u>\$5,551,611</u></u>
AGGREGATE DEBT SERVICE	
Interest	\$ 511,638
Principal	<u>-</u>
AGGREGATE DEBT SERVICE	<u><u>\$ 511,638</u></u>
NET REVENUES DIVIDED BY AGGREGATE DEBT SERVICE	<u><u>10.85</u></u>
MINIMUM REQUIREMENT	<u><u>1.0</u></u>
Net Revenue	\$5,551,611
Amount maintained in Revenue Fund for debt service	<u>609,705</u>
NET REVENUES AND AMOUNTS MAINTAINED FOR DEBT SERVICE	<u><u>\$6,161,316</u></u>
AGGREGATE DEBT SERVICE	<u><u>\$ 511,638</u></u>
NET REVENUES AND AMOUNTS MAINTAINED FOR DEBT SERVICE DIVIDED BY AGGREGATE DEBT SERVICE	<u><u>12.04</u></u>
MINIMUM REQUIREMENT	<u><u>1.15</u></u>

These debt-service requirements are defined in the bond covenants.

The Notes to the Financial Statement are an integral part of these statements.

April 18, 2002

To the Board of Trustees
North Davis County Sewer District
Syracuse, Utah

Dear Board Members:

It is a pleasure to furnish you with the 2001 Annual Financial Report of North Davis County Sewer District. This report includes the audited financial statements of North Davis County Sewer District with the necessary disclosures to accurately present the District's financial position and results of operations in all material respects. This introduction letter will provide information that will assist you in understanding the contents of this report.

HISTORICAL BACKGROUND AND FORM OF GOVERNMENT

During the year 1946, the North Davis Metropolitan Sewer Association was formed. The purpose of this association was to acquire from the United States, under a lease-purchase agreement, the North Davis Metropolitan Sewer lines which had been constructed in 1943-44 by the War Public Works, a branch of the Federal Work Agency. However, the Association was not organized as a governmental unit and therefore, was not authorized to levy taxes or issue bonds.

North Davis County Sewer District was established in July 1954, acquiring the outfall sewer mains. Contracts were entered into between the District, the participating municipalities (Clearfield, Clinton, Layton, Roy, Sunset, Syracuse and West Point), and Hill Air Force Base. The District agreed to receive the sewage from these parties through District collection mains and to treat the sewage to a proper point of discharge.

The District is governed by a nine member Board of Trustees. One trustee is appointed from each of the participating cities. An additional trustee is elected at large from each of the unincorporated areas of Davis and Weber Counties. The Board exercises all powers and duties in the operation of the properties of the District as are ordinarily exercised by the governing body of a political subdivision.

To carry out the purposes for which it was created, the District has the power to levy taxes on all taxable property within District boundaries. Taxes so levied by the District shall not, in any year, exceed a certified tax rate of .08 percent of the value of taxable property in the District.

The District can levy an unlimited property tax to pay for general obligation bonds.

The participating municipalities have appointed the following persons as members of the Board of Trustees:

Clearfield City - Ivan D. Anderson, Chairman
Clinton City - Dale King
Layton City - F. Renny Knowlton
Sunset City - James D. Bridges
West Point City - John Petroff
Roy City - David E. Tafoya
Syracuse City - Lurlen Knight

The following persons have been elected by the unincorporated areas within the District boundaries:

Davis County - Stanley E. Hamblin
Weber County - Vacant

The District Manager is Kevin Cowan; the Clerk of the District is Kail Jan Sanford.

ENVIRONMENT

The District is located on a slight hill near the shore of the Great Salt Lake. The level of the Lake has fluctuated greatly in the past because it has no natural outlet. In the years since measurement began in 1851, the Lake has attained levels as high as approximately 4,212 feet above sea level and as low as approximately 4,191 feet. During the summer of 1984 the Great Salt Lake reached 4,209.3 feet, the highest it has been since 1878.

These high levels encroached upon many farms and industries along the Lake's shoreline, including the District's operations. The District's gravity flow effluent discharge pipe discharges treated effluent into a drainage ditch. The drainage ditch then carries the treated effluent out into the Great Salt Lake. The District's discharge pipe is at 4,208 feet. In the past, the rising level of the Lake caused water in the drainage ditch to back up into this pipe. To solve this problem, the District installed pumps to push the effluent out into the lake. The District also constructed dikes to prevent further flooding to an elevation of 4,220 feet. The lowest building development at the District is the pump house at 4,217 feet.

In 1987, the State of Utah installed enormous pumps at the Lake's shore. These pumps were used to effectively lower the Lake's level by pumping its water into the West Desert. Because of these pumps and the District's diking and improvements, rising levels of the Great Salt Lake are no longer viewed as a potential long-term threat to operations.

OPERATIONS

The District holds contracts with each major participant for the processing of sewage. Major participants include the participating municipalities as listed previously and Hill Air Force Base. Other contracts include: Mutton Hollow Improvement District, Kaysville City and Central Davis Sewer District. The District has also entered into an inter-local agreement with West Haven Special Service District and West Weber County Sanitary Sewer System.

LAW AND REGULATIONS

Water Quality Many laws and regulations govern the operations of North Davis County Sewer District. The following include some of the major laws and regulations governing the District:

The North Davis County Sewer District is governed by the Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500) and the Utah Water Pollution Control Act.

North Davis County Sewer District is required to implement a pretreatment program for industries.

Under the Environmental Protection Act the District is required to have a National Pollutant Discharge Elimination System permit. This permit is renewed by the Utah Water Quality Board every five years.

The effluent is required to meet secondary treatment, including specific limitations for monitored pollutants.

Other standards of performance for the District are required by the State of Utah Department of Environmental Quality Division of Water Quality.

Uniform Fiscal Procedures Act for Special Districts

Budgets Under the guidelines of the Uniform Fiscal Procedures Act for Special Districts, the District's Board of Trustees is required to prepare an annual budget. The District prepares these budgets in accordance with the Act.

On or before the first regularly scheduled meeting of the Board of Trustees in November of each year, the District Manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and their sources of financing. The Board of Trustees reviews and tentatively adopts the proposed budget.

The format of the budget is made public record and is available for public inspection at least seven days prior to its adoption. The District conducts a public hearing to obtain taxpayer and rate payer comments on the budget. Following this hearing, the Board of Trustees adopts by resolution a final budget; this is accomplished prior to the beginning of the fiscal year. A copy of the final budget is kept available at the district office for public inspection.

Procurement Procurement of all goods, supplies, services and construction is done in accordance with the North Davis County Sewer District Purchasing Procedures and the Utah Procurement Code.

Audit The Uniform Fiscal Procedures Act for Special Districts requires that the District have an annual independent audit. This audit must be in accordance with *Government Auditing Standards* as prescribed by *Utah Code* Chapter 51-2. The District's independent auditors are Wiggins & Co., P.C. Wiggins & Co., P.C., conducts this annual audit to express an opinion on the District's financial statements. The financial statements, along with the independent auditors' report, are filed with the Utah State Auditor's office as required by law.

BONDS

North Davis County Sewer District has issued general obligation and revenue bonds in accordance with the Utah Municipal Bond Code. The District's outstanding general obligation and revenue bonds are rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Corporation. The District has never failed to pay, when due, principal and interest on outstanding bonds or any other obligation of the District.

North Davis County Sewer District executed a Continuing Disclosure Certificate with respect to bonds issued since 1995 as required by the Securities and Exchange Commission. The District agreed to provide to each nationally recognized municipal securities information repository and to the appropriate state information depository for the State of Utah, if one is created, annual financial information consisting of financial information and operating data with respect to the District, including the District's audited financial statements.

FINANCIAL REPORT

The accompanying financial report is prepared in conformance with generally accepted accounting principles as they relate to governmental accounting, following the guidelines recommended by the Government Finance Officers Association (GFOA), and conform substantially to those principles promulgated by the Governmental Accounting Standards Board (GASB).

Sincerely,

North Davis County Sewer District

NORTH DAVIS COUNTY SEWER DISTRICT

STATEMENT OF IMPACT FEES

FOR THE YEAR ENDING DECEMBER 31, 2001

INDEPENDENT AUDITOR'S REPORT

To North Davis County Sewer District
Syracuse, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of North Davis County Sewer District for the year ended December 31, 2001, and have issued our report thereon dated April 18, 2002. We have also audited the accompanying statement of impact fees of North Davis County Sewer District for the year ended December 31, 2001. This statement is the responsibility of the District's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit of the statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of impact fees referred to above presents fairly, in all material respects, the activity in the impact fees account of North Davis County Sewer District for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Wiggins & Co., P.C.

Ogden, Utah
April 18, 2002

NORTH DAVIS COUNTY SEWER DISTRICT
STATEMENT OF IMPACT FEES
FOR THE YEAR ENDED DECEMBER 31, 2001

Impact Fees	\$2,812,073
Interest Earned	62,826
Qualifying Capital Expenditures	(<u> -</u>)
Net Change in Account	2,874,899
Balance in Account - December 31, 2000	<u> 72,518</u>
Balance in Account - December 31, 2001	<u>\$ 2,947,417</u>

The Notes to Financial Statement are an integral part of this statement.

NORTH DAVIS COUNTY SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2001

Note 1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying statement is presented on the accrual basis of accounting.

Interest Earned

Interest earned on impact fees was calculated from the date of receipt of impact fees up to December 31, 2001 using the average monthly rate of interest earned by the District from funds invested in the State of Utah Public Treasurer's Investment Fund.

Capital Expenditures

Impact fees and interest earned on impact fees are restricted for plant improvements and construction as identified in the capital facilities plan of North Davis County Sewer District.

Note 2. Impact Fees Act

The State of Utah Impact Fees Act requires that, at the end of each fiscal year, a report be prepared showing impact fees earned and expended. The accompanying statement was prepared to satisfy this requirement. Only impact fees collected after July 1, 1996, the effective date of the act, are accounted for in this statement.

Note 3. Interest

The District allocates interest to the Impact Fee account each year-end.

Note 4. Impact Fees Balance

The balance in the impact fee account, as of December 31, 2001, represents amounts that impact fees will reimburse the District for future qualifying expenditures.

NORTH DAVIS COUNTY SEWER DISTRICT

MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2001

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INDEPENDENT AUDITORS' REPORT ON
STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
North Davis County Sewer District
Syracuse, Utah

We have audited the general purpose financial statements of the North Davis County Sewer District for the year ended December 31, 2001, and have issued our report thereon dated April 18, 2002. Our audit included test-work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Impact Fees

Truth in Taxation & Property
Tax Limitations
Special Districts
Other General Issues

The District did not receive any major or non-major State grants during the year ended December 31, 2001.

The management of the North Davis County Sewer District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, North Davis County Sewer District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2001.

Wiggins & Co., P.C.

Ogden, Utah
April 18, 2002



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
North Davis County Sewer District
Syracuse, Utah

We have audited the financial statements of North Davis County Sewer District as of and for the year ended December 31, 2001 and have issued our report thereon dated April 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether North Davis County Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Davis County Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

This report is intended solely for the use and information of management and the Board of Trustees of the North Davis County Sewer District and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., P.C.

Ogden, Utah
April 18, 2002

NORTH DAVIS COUNTY SEWER DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

0-1 CASH MANAGEMENT

Observation: The District paid employees of the District on a bi-weekly basis. The two week period begins on a Sunday and ends two weeks later on a Saturday. The District had been turning in their payroll records three days prior to the end of the payroll and estimating the employee hours to the end of the payroll period.

Recommendation: We recommended the District turn in their payroll records the Monday following the last Saturday of the payroll period to ensure that actual hours are being reported on for the period.

Status: No similar observations were noted during our 2001 audit.